

USEITI and Federal Income Tax Voluntary Disclosure



UNITED STATES
**DEPARTMENT OF
THE TREASURY**



Curtis Carlson
Office of Tax Analysis

April 23-24, 2014

Corporate Income Taxes

- C-corporations, which pay corporate income taxes, meeting the materiality threshold may voluntarily submit requests to the IRS to release tax federal income tax payment information to a third party reconciler.
 - Individual owners of pass-through businesses, including sole proprietorships, partnerships, and S corporations do not pay corporate income tax. Income, expenses and credits are passed through to their owners – hence the name, “pass-through entities”. Income earned (whether distributed or not) is taxed to the owners at their own tax rates along with income they may receive from other sources.
- Federal income tax payment information would be based on a firm’s “consolidated group” for tax purposes (i.e., a group of consisting of entities that are all part of an affiliated group and file one tax return).
 - The information provided on a corporation’s consolidated tax return is insufficient to make an allocation of tax payments by source of income (e.g., upstream and downstream operations, transportation, activities unrelated to mineral extraction and foreign source income).

Reconciliation of Corporate Income Tax Payments

- ◆ Procedural issues involved with a voluntary reconciliation of corporate tax payments need to be worked out.
 - Procedures for making requests to the IRS for releasing tax payment information to a third party reconciler need to be clearly spelled out.
 - The reporting format for any tax payment information needs must be determined.
 - Corporations must use different consolidation rules for financial and tax reporting. The reporting mechanism will have to be appropriately structured to provide consistent entity level reporting for income tax payments and other non-tax payments.
- ◆ A focused discussion between industry, the IRS, and Treasury over these and other potential procedural issues will help to simplify any future reconciliation process as well as help clarify future MSG discussions of reconciliation of income tax payments.